

INTER-OFFICE MEMORANDUM

Office of Accounts and Control

TO: Chief Payroll Officers
Departments and Agencies

DATE: December 2, 2002

FROM: Lawrence C. Franklin, Jr.
State Controller

**SUBJECT: PURCHASE OF RETIREMENT SERVICE CREDITS BY
INSTALLMENT**

The state payroll system has been re-programmed to perform a payroll deduction for the purchase of retirement service credits by installment. This payroll deduction will begin on payday Friday, January 3, 2003 for employees who have signed agreements with the Employees Retirement System (ERS) to purchase prior year service credits by installment. The Payroll Section within the Office of Accounts and Control will update employee payroll records for all installment agreements currently in our possession and received on or before December 20, 2002.

The ERS issued regulation #11 on December 19, 2001 that became effective January 1, 2002 which governs the procedure for installment payments on optional service credit purchases by members. Regulation #11 was issued pursuant to Rhode Island General Law Section 45-21-64 that permits service credit payments by installment.

The following outlines the state payroll policies and procedures to implement this program.

1. **Policies**

- 1.1) All payroll deductions from an employee's payroll check will be made on a biweekly basis. The total deducted for each biweekly payroll period will be forwarded to the ERS on each payday.
- 1.2) All payroll deductions from an employee's payroll check will be made on a tax deferred (pre-tax) basis. (A separate deduction will appear on the employee's payroll check stub. This payroll deduction amount will be combined with that of the employee's regular retirement contribution payroll deduction at year-end for W-2 purposes.)

- 1.3) There will be a payroll deduction for only one ERS installment agreement at any time. If an employee has executed more than one installment agreement with ERS, the payroll deduction amount will pay off one agreement until it is paid in full, then a new payroll deduction amount will begin to pay in full the next installment agreement.
- 1.4) This deduction will be made after an employee's mandatory regular retirement deduction. No biweekly deduction will be made for this installment agreement if there are insufficient wages to deduct against, after the mandatory retirement deduction.

2. **Procedures**

- 2.1) An employee authorizes a payroll deduction from his/her payroll check by submission of a copy of the installment agreement (with the payroll deduction authorization signed and dated) to his/her payroll office. The agency payroll office will insert the employee's payroll account number under the employee's social security number on the payroll deduction authorization form and then forward this copy to the Office of Accounts and Control Payroll Section.
- 2.2) In order to calculate the biweekly amount of the payroll deduction, the monthly amount checked on the installment agreement will be multiplied by the number "12", then divided by the number "26".
- 2.3) The Office of Accounts and Control Accounting Section will forward the total amount deducted for each employee to the ERS each payday.
- 2.4) The Office of Accounts and Control will cease the payroll deduction for an installment agreement upon receipt of a communication to do so from the ERS.